

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

Annual Compliance Report, 2016

Docket No. ACR2016

CHAIRMAN'S INFORMATION REQUEST NO. 10

(Issued January 27, 2017)

To clarify the Postal Service's FY 2016 Annual Performance Report (FY 2016 Report) and FY 2017 Annual Performance Plan (FY 2017 Plan),<sup>1</sup> the Postal Service is requested to provide written responses to the following requests. Answers should be provided to individual requests as soon as they are developed, but no later than February 3, 2017.

**Legal Compliance**

1. Annual Performance Plans must "[cover] each program activity set forth in the Postal Service budget...." 39 U.S.C. § 2803(a). The Postal Service's FY 2017 congressional budget submission lists the Postal Service's program activities.<sup>2</sup> The Commission previously found that the "Postal Service budget" in section 2803(a) means its operating budget that is part of the Postal Service's Integrated Financial Plan.<sup>3</sup> Please provide a crosswalk between the program activities in

---

<sup>1</sup> The FY 2016 Report and FY 2017 Plan are included in the Postal Service's FY 2016 Annual Report to Congress, which the Postal Service filed with the FY 2016 Annual Compliance Report. See United States Postal Service FY 2016 Annual Report to Congress, Library Reference USPS-FY16-17, December 29, 2016 (FY 2016 Annual Report).

<sup>2</sup> United States Postal Service FY 2017 Budget: Congressional Submission, Workpapers, and Summary Tables SE-1, 2 and 6, February 25, 2016, at II-14.

<sup>3</sup> Docket No. ACR2015, Analysis of the Postal Service's FY 2015 Annual Performance Report and FY 2016 Performance Plan, May 4, 2016, at 14 (FY 2015 Analysis); see United States Postal Service, Fiscal Year 2017 Integrated Financial Plan, December 2, 2016 (FY 2017 Integrated Financial Plan).

the FY 2017 Integrated Financial Plan and the program activities listed in the Postal Service's FY 2017 congressional budget submission.

2. If a performance goal has not been met, the report for that fiscal year must explain and describe: (1) why the goal was not met; and (2) the "plans and schedules" for achieving the performance goal. 39 U.S.C. § 2804(d)(3). In its FY 2015 Analysis, the Commission stated that to fully comply with 39 U.S.C. § 2804(d)(3), the Postal Service should provide timelines for its plans to achieve performance goals if timelines fall outside of the fiscal year covered by the annual performance plan. FY 2015 Analysis at 15.
  - a. The Postal Service failed to meet FY 2016 targets for all but one performance indicator for the Deliver High-Quality Service performance goal. See FY 2016 Annual Report at 15. Please explain why the targets were not met.
  - b. Please explain and describe the "plans and schedules" for meeting FY 2017 targets for the Deliver High-Quality Service performance indicators. See 39 U.S.C. § 2804(d)(3)(B). Please provide timelines for plans that extend beyond FY 2017.
  - c. The Postal Service states it will achieve the FY 2017 Deliveries per Work Hour SPLY percent target by "capturing work hour reductions from operational initiatives." FY 2016 Annual Report at 22. Please elaborate to explain what operational initiatives it is considering or plans to implement to capture any work hour reductions, and describe the plans and schedules for meeting the FY 2017 target. See 39 U.S.C. § 2804(d)(3)(B). Please provide timelines for plans to meet the target if they extend beyond FY 2017.

**Deliver High-Quality Service**

3. The Postal Service introduced two new Deliver High-Quality Service performance indicators for FY 2017: First-Class Mail Letter & Flat (FCLF) Composite and Standard & Periodical Composite. FY 2016 Annual Report at 15 n.3, 4, 17. These performance indicators will replace the First-Class Composite and Standard Composite performance indicators, respectively. *Id.*
  - a. Please identify which First-Class Mail products were used to measure the First-Class Composite performance indicator in FY 2016.
  - b. Please identify which First-Class Mail products will be used to measure the FCLF Composite performance indicator in FY 2017. In the response, please explain how the products used to measure the First-Class Composite performance indicator differ from the products used to measure the FCLF Composite performance indicator and provide the formulas for calculating the FCLF Composite and First-Class Composite performance indicator scores.
  - c. Please identify which Standard Mail products were used to measure the Standard Composite performance indicator in FY 2016.
  - d. Please identify which Standard Mail and Periodicals products will be used to measure the Standard & Periodical Composite performance indicator in FY 2017. In the response, please explain how the products used to measure the Standard Composite performance indicator differ from the products used to measure the Standard & Periodical Composite performance indicator and provide the formulas for calculating the Standard & Periodical Composite and Standard Composite performance indicator scores.
  - e. For the FCLF Composite and Standard & Periodical Composite performance indicators:

- i. Please provide what the FY 2016 results would have been had these performance indicators been used in FY 2016.
  - ii. Please explain how the FY 2016 results provided in response to question 3.e.i, above, were factored into the FY 2017 targets set for these performance indicators.
- f. For the FY 2017 Report to comply with 39 U.S.C. § 2804(c), the Postal Service must provide comparable results for each performance indicator for, at a minimum, fiscal years 2014, 2015, 2016, and 2017. See FY 2015 Analysis at 17. If comparable results cannot be provided, the FY 2017 Report must explain how to compare results between the old and new methodologies. *Id.*
  - i. Please confirm that the Postal Service intends to provide comparable results for fiscal years 2014, 2015, 2016, and 2017 for both the FCLF Composite and Standard & Periodical Composite performance indicators in the FY 2017 Report.
  - ii. If the Postal Service does not intend to provide comparable results, please confirm that the Postal Service will explain how to compare results between the old methodologies (First-Class Composite and Standard Composite) and the new methodologies (FCLF Composite and Standard & Periodical Composite) in the FY 2017 Report. If not confirmed, please explain.
- 4. The Postal Service states, “First-Class Mail Packages [FCMP] performance will be measured using a composite score of commercial and retail two-day and three-to-five day.” FY 2016 Annual Report at 17.
  - a. Please confirm that the Postal Service will use FCMP Composite as a performance indicator for the Delivery High-Quality Service goal in FY 2017.

- b. If confirmed, please provide the following information for the FCMP Composite performance indicator:
  - i. Please identify which First-Class Mail products will be used to measure the FCMP Composite performance indicator in FY 2017 and provide the formula used to calculate the score.
  - ii. Please provide what the FY 2016 result would have been had this performance indicator been used in FY 2016.
  - iii. Please provide the FY 2017 target.
  - iv. Please explain how the FY 2016 result provided in response to question 4.b.ii, above, was factored into the FY 2017 target set for this performance indicator.
- c. If not confirmed, please explain which performance indicator will measure First-Class Mail Packages service performance.

### **Provide Excellent Customer Experiences**

- 5. The Delivery performance indicator “is changing to a delivery index score that will be comprised of both a carrier survey and a PO Box survey.” *Id.* at 19. The Postal Service states that “two new questions are being introduced, which will provide more visibility into the customer’s experience with mail delivery....” *Id.*
  - a. Please provide copies of the carrier survey and Post Office Box survey.
  - b. Please provide the two new questions being introduced and explain how they will provide more visibility into the customer’s experience with mail delivery.
- 6. In addition to the changes to the Delivery performance indicator, the Postal Service will change the Customer Insights (CI) Composite Score performance indicator to include an Electronic Customer Care component in FY 2017. FY 2016 Annual Report at 15 n.7.

- a. For the new CI Composite Score and Delivery performance indicators that will be used during FY 2017, please provide the following information:
  - i. Please identify the survey questions the Postal Service will use to measure each performance indicator in FY 2017, and provide the formulas used to calculate the scores.
  - ii. Please provide what the FY 2016 results would have been had these performance indicators been used in FY 2016.
  - iii. Please explain how the FY 2016 results provided in response to question 6.b.ii, above, were factored into the FY 2017 targets set for these performance indicators.
- b. For the FY 2017 Report to comply with 39 U.S.C. § 2804(c), the Postal Service must provide comparable results for each performance indicator for, at a minimum, fiscal years 2014, 2015, 2016, and 2017. See FY 2015 Analysis at 17. If comparable results cannot be provided, the FY 2017 Report must explain how to compare results between the old and new methodologies. *Id.*
  - i. Please confirm that the Postal Service intends to provide comparable results for fiscal years 2014, 2015, 2016, and 2017 for both the new CI Composite Score and Delivery performance indicators in the FY 2017 Report.
  - ii. If the Postal Service does not intend to provide comparable results, please confirm that the Postal Service will explain how to compare results between the old and new methodologies for calculating the CI Composite Score and Delivery performance indicators in the FY 2017 Report. If not confirmed, please explain.

7. The Postal Service states that targets for the Business Service Network (BSN), Point of Sale (POS), Delivery, and CCC performance indicators “are set and compensated at the unit level.” FY 2016 Annual Report at 15 n.7.
- a. Please explain how the Postal Service sets targets for the BSN, POS, Delivery, and CCC performance indicators. In the response, please also specify the compensation unit level for each performance indicator.
  - b. In the FY 2016 Report, FY 2016 targets for the BSN, POS, Delivery, and CCC performance indicators are listed as “N/A.” *Id.* at 15, 18. However, in its reply comments on the FY 2015 Annual Performance Report and FY 2016 Annual Performance Plan, the Postal Service stated that these performance indicators “will share the overall composite score targets for the CI measurement.”<sup>4</sup> The FY 2016 target for the CI Composite Score performance indicator is 86.7. FY 2016 Annual Report at 15.
    - i. Please provide FY 2016 targets for the BSN, POS, Delivery, and CCC performance indicators. If no targets are provided, please explain why.
    - ii. Please provide FY 2017 targets for the BSN, POS, Delivery, and CCC performance indicators. If no targets are provided, please explain why.
8. The Postal Service states it conducted a Large Business Panel Survey (≥ 250 employees) in Quarters 2 and 4 of FY 2016.<sup>5</sup> However, Library Reference USPS-FY16-38 indicates that the Large Business Panel Survey was conducted from October 2015 to September 2016.<sup>6</sup>

---

<sup>4</sup> Docket No. ACR2015, United States Postal Service Reply Comments Regarding FY 2015 Performance Report and FY 2016 Performance Plan, March 8, 2016, at 8.

<sup>5</sup> United States Postal Service FY 2016 Annual Compliance Report, December 29, 2016, at 72.

<sup>6</sup> See Library Reference USPS-FY16-38, file “USPS-FY16-38 Preface.pdf,” at 3 (Library Reference USPS-FY16-38).

- a. Please confirm the dates the Large Business Panel Survey was conducted during FY 2016.
- b. Library Reference USPS-FY16-38 describes the BSN, POS, Delivery, and CCC surveys. *Id.* at 2. Please describe the Large Business Panel Survey with a similar level of detail as these other surveys.

By the Chairman.

Robert G. Taub